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Report to the Honorable
C.W. Bill Young, House of Representatives

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February 1987

PUBLIC HOUSING

Conditions at the Laurel Park Project in St. Petersburg, Florida

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

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February 4, 1987

The Honorable C. W. Bill Young
House of Representatives

Dear Mr. Young:

In December 1985 the Department of Housing and Urban Development (HUD) and the City of St. Petersburg, Florida, awarded the Housing Authority of the City of St. Petersburg (the housing agency) $771,426 in special funds to repair leaking roofs and bathroom plumbing and for other purposes at the housing agency's Laurel Park public housing project. You asked us to find out why the living conditions at Laurel Park deteriorated to the extent that these repairs were needed. In response, we obtained information on why (1) unmet physical needs exist at Laurel Park and (2) the housing agency was unsuccessful in applying for modernization funding under HUD's Comprehensive Improvement Assistance Program (CIAP)[1] in 1985. In addition, we identified actions being taken by the housing agency to improve the project's condition. Appendixes I-III provide additional detail on these matters.

Laurel Park was built in the 1940's and purchased by the St. Petersburg housing agency in 1966. It consists of 16 residential buildings with 168 units, a joint community/day care center, and a maintenance building. According to HUD and housing agency officials, the project has not been comprehensively modernized since its acquisition.

Unmet Physical Needs at Laurel Park

HUD and housing agency officials agree that Laurel Park physical conditions need improvement, although they differ on the extent of improvements needed. The housing agency's executive director believes that the project's condition is marginal at best and that structural problems exist. A HUD engineer believes that even though the project buildings are structurally sound, some are approaching the point where comprehensive modernization will be needed.

We asked HUD and housing agency officials why unmet physical needs exist at Laurel Park. They supplied four reasons. First, the housing agency's maintenance program did not identify and/or respond to maintenance needs in an effective or a timely manner. For example, units

[1]CIAP provides funds to improve the physical condition and upgrade the management and operation of public housing projects.

were not routinely inspected to determine if unreported repairs were needed. Part of this problem, according to HUD and housing agency officials, is that the agency has had difficulty in hiring and retaining competent staff. For example, the maintenance director resigned during our field work in June 1986 after about 18 months in that position. Also, tenants have been reluctant to report maintenance problems for fear that they will be charged for them, resulting in needed repairs being delayed. The housing agency's efforts to improve its maintenance activities are discussed below and in appendix III.

Second, the housing agency has not been successful in receiving modernization funds under HUD's CIAP program. Although the agency has applied for CIAP funds for Laurel Park in each year from 1981 through 1985, it received only about $19,000 in 1981 through the normal competitive funding process. For example, the agency applied for $2.2 million to modernize Laurel Park in 1985, but HUD did not fund the application because it ranked lower than competing Florida applications. Our review of HUD's ranking sheet and our discussions with Jacksonville HUD officials confirmed that the application ranked low primarily because of HUD's concerns regarding the housing agency's management capability and its ability to carry out the proposed modernization work.

Other reasons cited by the housing agency's executive director for unmet physical needs were the perceived inadequacy of the annual HUD operating subsidy and the housing agency's relatively small operating reserve. (See app. I.)

The Housing Agency's Unsuccessful 1985 Application for Modernization Funding

In February 1985, as part of its overall $5.2 million request for three of its projects, the St. Petersburg housing agency applied for $2.2 million in CIAP modernization funds for Laurel Park. The agency requested $577,040 to repair three emergency conditions (rodent and pest infestation, leaking roofs, and exterior building repairs) and requested the balance ($1,622,822) for comprehensive modernization.[2] The St. Petersburg housing agency's application was 1 of 45 Florida public housing agencies that submitted applications totaling almost $95 million. In contrast, HUD's target funding allocation for its Atlanta regional office (covering Florida and 7 other states) was about $112 million, and HUD's target allocation for Florida was $13.5 million.

[2]Legislation creating CIAP and HUD's implementing regulations call for comprehensive modernization of public housing projects but provide preferences for funding emergency needs (affecting the life, health, or safety of tenants or related to fire safety) and other conditions.

During the application's initial eligibility review, HUD's Jacksonville field office (which is responsible for all public housing agencies in Florida) redesignated the rodent and pest infestation and the exterior building repair requests as comprehensive modernization items because that part of the application did not demonstrate emergency conditions according to the CIAP legislative definition. The Jacksonville office also deleted several of the comprehensive modernization items, such as a solar water heating system and a master television antenna, because it believed that the items did not work well in a public housing setting or were not needed. As a result, the Jacksonville office established that the application was eligible to be considered for $240,000 in emergency funding for leaking roofs and $1,452,384 in comprehensive modernization funding.

In March 1985 the Jacksonville office made a detailed technical assessment of the eligible comprehensive modernization items in the Laurel Park application for extent and urgency of need, housing agency management and modernization capability, and other factors. The Laurel Park application ranked 48th out of 62, well below the cut-off point of 25, which corresponded to the amount specified in the HUD target funding allocation for Florida. The primary reason for the low ranking was the Jacksonville's office concern over the housing agency's management capability and ability to carry out the proposed modernization. As a result of this low ranking, HUD did not fund the comprehensive modernization portion of the Laurel Park application.

In April 1985 a 3-member team from HUD's Jacksonville office visited the St. Petersburg housing agency, in part, to view the cited emergency roof leaks at Laurel Park. Also, at the executive director's request, the team viewed other needs cited in the application, although HUD did not expect to fund these items.

Housing agency officials told us that they did not attempt to show the HUD team leaking dwelling unit roofs but told them of the problem. The HUD team leader told us that they asked the housing agency officials to show them evidence of leaking roofs, which they could not do. Therefore, under the legislative definition of emergency, HUD saw no evidence that an emergency existed.

The HUD team did, however, see evidence of the leaking roof at the community/day care center and subsequently recommended to its management that HUD fund $61,000 in emergency CIAP funds to make necessary

repairs. The Jacksonville HUD management rejected this recommendation because it believed that the housing agency had sufficient funds to pay for these repairs from its operating reserve.

Regarding the other items in the application, HUD and housing agency officials participating in the inspection differed sharply on their recollection of what was shown or characterized to HUD. For example, the housing agency officials said that they showed the HUD team evidence of rodent droppings around the project and in the project manager's office, rodent holes in the units, and furniture gnawed by rodents in one of the units. The HUD team leader told us that the team did not see any evidence of rodent problems and none were pointed out. The HUD team did not prepare a summary of its visit to the project.

Housing Agency Actions to Improve Laurel Park's Condition

Two activities are underway to improve Laurel Park's condition. First, after extensive local publicity and your work with HUD and the housing agency to secure funds, HUD reassessed the project's condition in October 1985 and in December 1985 awarded the housing agency $250,000 to make emergency repairs for plumbing related problems not identified as emergency items in the original application. At the same time, the City of St. Petersburg awarded the agency $521,426 in Community Development Block Grant funds for other repairs. The two awards are being used to exterminate rodents and pests; repair the leaking community/day care center roof; replace space heaters, refrigerators, and ranges; repair bathroom plumbing and related water damage; and for other purposes. During our visit, some of this work had been completed with the remainder scheduled to be completed by January 1987.

The second initiative is completing the implementation of an upgraded maintenance program consisting of a centralized maintenance system to control and follow-up on work orders, an annual inspection of all units, a planned preventative maintenance program, an inventory control system, and an effort to enhance the quality and productivity of the maintenance staff (see app. III).

HUD and St. Petersburg Housing Agency Comments

We asked HUD and the Housing Authority of the City of St. Petersburg to comment on a draft of this report. (See apps. V and VI.) In its comments, HUD stated that the draft was reasonably researched and presented in an impartial manner. It offered no specific comments on the material contained in the draft. Conversely, the St. Petersburg housing agency

offered extensive comments and stated that our draft did not reach conclusions fully consistent with the facts; did not resolve conflicting claims between the housing agency and the HUD Jacksonville field office, even when a factual basis existed to resolve such conflicts; and did not address several pertinent issues. We have included specific housing agency comments where appropriate in this report, made several changes based on those comments, and explained why we did not make other changes suggested by the St. Petersburg housing agency.

Scope and Methodology

We conducted our review at HUD headquarters in Washington, D.C.; the HUD regional and field offices in Atlanta, Georgia, and Jacksonville, Florida, respectively, and the Housing Authority of the City of St. Petersburg, Florida. At these locations we interviewed responsible HUD and housing agency officials; reviewed laws, regulations, and operational guidance; and examined documentation regarding housing agency operations, the Laurel Park project, and the housing agency's 1985 CIAP application. Additionally, we toured the housing project and discussed its operation with senior housing agency and site management. Our review was conducted in accordance with generally accepted government auditing standards. (See app. IV.)

As arranged with your office, we will not distribute this report to others for 30 days unless you announce its contents or agree to the distribution beforehand. At that time we will send copies to interested parties and make copies available upon request.

This report was prepared under the direction of John H. Luke, Associate Director. If you have any questions, please contact him at 275-6111. Other major contributors are listed in appendix VII.

Sincerely yours,

J. Dexter Peach

J. Dexter Peach
Assistant Comptroller General

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Abbreviations

CIAP	Comprehensive Improvement Assistance Program
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
SPHA	Housing Authority of the City of St. Petersburg, Florida

Physical Conditions at the Laurel Park Project

The United States Housing Act of 1937, as amended (42 U.S.C. 1401, et. seq.), established a public housing program to provide lower-income families with decent, safe, and sanitary housing. The program is administered by the U.S. Department of Housing and Urban Development (HUD) and carried out by state and local government entities, called public housing agencies, which own and operate public housing projects. HUD provides technical and professional assistance in planning, developing, and managing the projects and routinely gives two kinds of financial assistance: (1) annual contributions to pay principal and interest costs on obligations issued by the housing agencies to finance development or acquisition of projects and (2) annual contributions for operating subsidies. In addition, HUD provides Comprehensive Improvement Assistance Program (CIAP) funds on a competitive basis to assist housing agencies to finance modernization of public housing projects.

The Laurel Park public housing project is owned and operated by the Housing Authority of the City of St. Petersburg, Florida (SPHA).[1] It was constructed during the early 1940's and purchased by the housing agency in July 1966. The project consists of 16 residential buildings with 168 units (1 unit is used as the project manager's office), a joint community/day care center, and a maintenance facility. According to HUD and housing agency officials, some renovations were made at the time of acquisition, and units were freshly painted and decorated. According to HUD and SPHA officials, Laurel Park has not been comprehensively modernized since its acquisition.

[1]SPHA has 4 public housing projects consisting of 1,054 units and provides 1,810 units of additional housing assistance through other housing programs.

Figure I.1: Typical Laurel Park Building

A typical Laurel Park building at the time of our visit. New windows, funded by the City of St. Petersburg, replaced older casement windows in mid-1986.

Condition of the Laurel Park Project

The assessment by both SPHA and HUD officials was that the physical conditions of Laurel Park need improvement. However, they disagreed on the extent of modernization needs and where the project ranked among similar projects in terms of need.

According to SPHA's executive director, Laurel Park is not built to public housing construction standards, which has led to increased maintenance. He told us that the project is not structurally sound and the exterior walls are beginning to crack, probably due to the construction of an adjacent expressway. In the executive director's opinion, the condition of Laurel Park, when compared with other low-income housing projects nationally, should be considered to be poor to marginal at best.

An engineer in HUD's Jacksonville office told us that Laurel Park is a very typical older public housing project, constructed of concrete block and is structurally sound. He said the buildings at Laurel Park are built to withstand more abuse than present day structures and will last many years longer than the ones being built today. However, he said that the project is beginning to have a greater need for maintenance each year, especially to correct plumbing problems. In his opinion, although some

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units are approaching the point where comprehensive modernization will be needed, the majority are in good shape. HUD officials pointed out that other Florida public housing agencies, such as those in Dade County, Jacksonville, and Lakeland, have projects in much worse condition than Laurel Park.

In its comments on a draft of this report, SPHA took exception to the HUD official's assessment and provided additional information on the project's condition. (See app. VI.) We did not attempt to verify either HUD's or SPHA's assessment of the project; compare the project to other projects; or reach an independent judgment on the project's condition since our work was directed toward finding out why unmet physical needs exist—a condition with which both HUD and SPHA agree—rather than documenting the extent or the seriousness of the unmet needs. Therefore, we can neither confirm nor dispute HUD's or SPHA's assessment.

Reasons for Unmet Physical Needs at Laurel Park

We asked HUD and SPHA officials why unmet physical needs exist at Laurel Park. A major reason, cited by HUD and SPHA officials, was that the SPHA maintenance program did not identify and/or respond to problems in an effective and timely manner. As such, identified problems were not always corrected or corrected in a timely manner and units were not routinely inspected to determine if other, unreported repairs were needed. SPHA and HUD officials also told us that SPHA has had difficulty in hiring and retaining competent maintenance staff because housing agencies, in general, do not have a good public image, resulting in potential employees viewing the private sector as more attractive. During our review, the Director of Maintenance left the housing agency's employ.

Additionally, HUD and SPHA officials told us that Laurel Park's tenants are often reluctant to report maintenance problems inside their dwelling units for fear they will be charged for the repairs. Tenants are supposed to be charged for repairs resulting from tenant abuse but not for repairs resulting from normal wear and tear. The SPHA maintenance director told us that the agency suspects that in the past tenants were charged for repairs resulting from normal wear and tear. Thus, tenant concerns that they will be charged for routine maintenance work has hampered the identification of needed project repairs. (See app. III for SPHA plans and actions to remedy these problems.)

A second major reason, according to SPHA's executive director, has been the agency's lack of success in competing for modernization funding under CIAP.[2] The executive director said that SPHA does not have sufficient funds of its own to correct the problems at Laurel Park because the housing agency is not funded at a level to do either large or small scale modernization work without CIAP assistance.[3] SPHA applied for CIAP funds each year from 1981 to 1985 to modernize Laurel Park but has received only about $19,600 in 1981 for these activities. For example, in 1985 SPHA applied for about $2.2 million in CIAP funds to comprehensively modernize Laurel Park and correct emergency conditions, but HUD did not fund the application. The executive director stated that even after a special CIAP award and a City of St. Petersburg contribution from Community Development Block Grant funds (totaling $771,426), the funds were insufficient to make other needed exterior and interior repairs.

A third reason, cited by the executive director, is an inadequate HUD operating subsidy. Each year HUD provides operating subsidies to public housing agencies on a formula basis to fund the difference between their expected income and expenses. While the subsidy is adjusted each year, primarily for expected inflation and utility costs, it is not readjusted for changes in costs for routine budget items (other than utilities). For example, SPHA insurance premiums have increased dramatically beginning in 1984-85, when it paid $68,170 to $184,210 in 1985-86. SPHA expects to pay $218,381 for insurance in 1986-87.

The operating subsidy's adequacy and its method of computation have been a continuing concern to public housing agencies and groups representing them. However, an assessment of the subsidy mechanism was beyond the scope of this review. Nevertheless, we did note that HUD, in its November 1985 notice of final rule making for modifications to the operating subsidy calculation method, reaffirmed its position to not adjust the subsidy formula for routine budget item changes because of the need for federal budget restraints. Also, the Director of HUD's Office

[2]CIAP provides funds to improve the physical condition of existing public housing projects and upgrade the management and operation of those projects. CIAP funds are not sufficient to meet all needs perceived by public housing agencies (see app. II).

[3]From 1981 to 1985, on average, SPHA's income from dwelling rents (which are legislatively capped) was 59 percent of its total income, HUD's operating subsidy was 27 percent, and other sources (e.g., interest on investments and excess utility charges) was 14 percent. For the same period utilities consumed an average of 37 percent of the expenditures, maintenance 28 percent, administration 15 percent, and other expenses 20 percent. Over this 5-year period, the agency had a net surplus of $113,033. These figures are for the agency as a whole as it does not keep these records on a project-by-project basis.

of Public Housing told us that making annual and equitable adjustments to the mechanism's base to reflect individual changes in expenses for 3,100 housing agencies would be a monumental task.

The final reason for unmet physical needs at Laurel Park, cited by SPHA's executive director, is the size of the housing agency's operating reserve. A housing agency's operating reserve are those funds reserved from operating receipts to cover future operating deficits and represents such things as cash, deferred charges, and accounts receivable.[4] During fiscal years 1983-85, SPHA maintained an average operating reserve of $539,337, for the agency as a whole, which was 56 percent of its average maximum allowable operating reserve of $969,267. With its comments on our draft report, SPHA provided an October 1986 statement of operating receipts and expenditures for SPHA's fiscal year ending March 31, 1986. This report shows the operating reserve at $189,514, or $348,719 less than the reported March 1985 reserve level of $538,233.

SPHA Comments on Cited Reasons and Our Evaluation

In its comments on a draft of our report, SPHA stated that (1) our draft made little attempt to independently weigh those factors cited by HUD and SPHA as contributing to unmet needs, (2) the cited problems with its maintenance program and the cited reluctance of tenants to report maintenance needs were not significant, and (3) the cited inadequacy of its operating reserve would be better illustrated by including a statement that SPHA's reserve would have been insufficient to cover the cost of work done under the Community Development Block Grant and CIAP funds awarded in late 1985 ($771.426 in total) and that projected reserve levels showed a much lower expected reserve for 1986 of $321,324.

Regarding SPHA's first point, our approach was to ask the two parties that should be the most knowledgeable—HUD and SPHA—to cite the factors and we reported their judgments. Given the different nature of the reasons cited—inadequate HUD funding as cited by SPHA and problems with SPHA's internal management practices as cited by HUD—weighting each reason given would be difficult. For the purpose of this report, we do not believe that weighting each factor is needed.

[4]HUD allows, but does not require, housing agencies to maintain operating reserves at a maximum of 50 percent of the housing agency's estimated total routine expenditures for the coming fiscal year. If operating reserves are utilized in excess of the amount approved by HUD in the operating budget, HUD is not obligated to provide an additional operating subsidy to restore such funds. If the reserve falls below 20 percent of the maximum allowable amount, HUD marks the housing agency as "financially troubled" and gives it special attention.

Regarding SPHA's second comment, our work at SPHA showed that SPHA did consider deficiencies in its maintenance program to be significant and, therefore, it has taken several steps to upgrade those activities. Also, SPHA's executive director raised the issue of unreported maintenance needs by tenants during our field work as a contributing factor; however, in SPHA's comments he stated that the problem is insignificant. Further, SPHA said that since unreported maintenance needs by tenants occur at other SPHA projects and by some tenants in every other public housing agency, it was inappropriate for us to cite this factor as causative in Laurel Park. We believe that if a tenant does not report a problem, then the need is unmet. Whether the problem exists elsewhere to a greater or lesser extent than its exists at Laurel Park is irrelevant.

On SPHA's third point, we recognize that any large sum spent on Laurel Park—which comprises only 16 percent of SPHA's public housing units—from the housing agency's operating reserve would seriously deplete the reserve and we believe that our citation of actual reserve levels for 1983-85, as reported by HUD, was sufficient to demonstrate this relatively low reserve level. Moreover, SPHA's projections of reserve levels have been subject to relatively large errors (as reported to HUD: $441,609 projected vs. $538,233 actual for 1985 (a 22-percent difference) and $321,324 projected vs. $189,514 actual for 1986 (a 41-percent difference)).

Why the Laurel Park Project Did Not Receive CIAP Funding in the 1985 Award Cycle

As part of its 1985 application for CIAP funding, the St. Petersburg housing agency requested $577,040 to correct three "emergency" conditions and $1,622,822 to provide for "comprehensive" modernization of the Laurel Park project. The HUD Jacksonville office ultimately did not recommend emergency funding for any of the emergency items. For two of the items it did not believe emergency conditions existed and for the third item—repairing a leaking roof and replacing the air conditioning at the community/day care center—it believed the repairs could be funded from the housing agency's operating reserve. The comprehensive portion was not funded because the Jacksonville office ranked it too low against competing applications, primarily in its assessment of SPHA's management capability and its capability to carry out the proposed modernization.

HUD's 1985 CIAP Funding Process

CIAP's legislated purpose is to improve the physical condition of existing public housing projects and upgrade the management and operation of those projects. Project modernization is intended to be comprehensive (providing for all needed physical and management improvements), except those defined as emergency (conditions affecting the life, health, or safety of tenants or related to fire safety), special purpose (e.g., energy-related), or homeownership. CIAP legislation requires HUD to give funding preference to public housing agencies that request assistance to correct emergency conditions, or have a significant number of vacant, substandard units and have the demonstrated capability for carrying out its plan to comprehensively improve the condition, management, and operation of its projects.

HUD requests that public housing agencies submit preliminary CIAP applications to its field offices, which determine whether the applications meet eligibility criteria for modernization capability, project viability, and work item eligibility and need. Applications are "batched" according to purpose[5] (e.g., emergency or comprehensive modernization), given a detailed technical review for extent and urgency of need, financial feasibility, prospects for long-term physical and social viability, housing agency modernization and management capability, and other factors. In HUD's Atlanta region, the field office forwards to the regional office for preliminary funding decisions its recommendations and justification for (1) emergency modernization without ranking them

[5]The Laurel Park portion of SPHA's application requested only emergency and comprehensive funding and the remaining discussion is about these two classifications only.

since they are priority items and (2) comprehensive modernization in priority of total score achieved in the ranking process.

After the regional office makes preliminary funding decisions on the field office recommendations, the field office schedules visits to the housing agencies that are likely to be funded (a "joint review"). The purpose of the visit is to discuss the proposed modernization program contained in the public housing agency's preliminary application and reach tentative agreement on housing agency needs. The housing agency then submits a final application, which HUD may approve after any needed changes are made.

HUD headquarters allocates a target funding level to its regional offices and the regional offices, in turn, set target funding levels for each state within that region. In 1985, the HUD Atlanta regional office set a target allocation of $13,468,336 for the 80 public housing agencies in Florida. Forty-five Florida housing agencies submitted CIAP applications totaling $94,953,288, nearly the target allocation for the entire Atlanta region covering eight states ($112,236,132).

The Laurel Park Portion of the SPHA's CIAP Application

On February 28, 1985, SPHA submitted its CIAP preliminary application to HUD. It requested $5,228,765 in funding for its Graham Park, Jordan Park, and Laurel Park projects.[6] For Laurel Park, the SPHA requested $577,040 in emergency funding and $1,622,822 for comprehensive modernization as summarized in table II.1.

[6]HUD did not fund the Jordan Park request but did approve $160,000 for emergency waterproofing repairs at Graham Park.

Table II.1: Items Contained in SPHA's Preliminary CIAP Application for Laurel Park

To correct emergency conditions	For comprehensive rehabilitation
Replace or repair leaking project structure and community/day care center roofs ($240,000)	Kitchen and bathroom renovations ($292,000)[a]
Re-do building exteriors ($300,000)	Replace windows, install screen doors ($316,000)
Rodent and pest control ($37,040)	Electrical upgrade and space heater replacement ($227,344)
	Grounds improvements ($296,000)
	Renovate maintenance shop for tenant use ($60,000)
	Replace worn out air conditioners at community/day care center ($25,000)
	Install solar water heating system and master television antenna; tenant training ($253,000)
	Architect and engineering services ($153,478)

[a]This item includes installing bath tub liners and tub protective "surrounds" which figured prominently in accounts of deteriorated conditions at Laurel Park.

HUD Evaluation of Laurel Park Application

In March 1985 the Jacksonville HUD office performed its eligibility review and, according to the head of the team who evaluated the SPHA application, HUD:

- Reclassified the rodent and pest control request from "emergency" to "comprehensive" because SPHA's application did not justify that an emergency condition existed according to the legislative definition (affecting the life, health, or safety of tenants or related to fire safety).[7]
- Reclassified the "re-do the building exterior" item from emergency to comprehensive because no emergency was justified for this condition.[8]
- Deleted the playground equipment ($100,000) and master television antenna ($50,000) as unnecessary.
- Deleted the well and sprinkler system request ($150,000) because children usually break sprinkler systems.
- Deleted the solar water heater request ($168,000) because, in HUD's experience, such systems did not work well.

[7]In its comments, SPHA stated that its application clearly described the rodent problem as urgent, as follows: "Failure to perform this [rodent and pest control] item could result in a major health crisis and could seriously impair the habitability of the project." According to a member of the HUD team that performed the eligibility review, HUD reclassified this item because the application did not demonstrate that an emergency condition then existed, only, as expressed above, that an emergency could result if the problem was not remedied.

[8]According to SPHA's executive director, this work item was for repairing cracks in project buildings, repairing water seepage damage, and painting the repaired areas.

- Deleted the tenant training item ($35,000) because HUD could not determine what this item meant.[9]
- Deleted a request to install plastic clothes line ($1,000) because HUD believed that this was a regular maintenance item and not a modernization item.
- Reduced architect and engineering services by $3,478 to correspond with deleted items that would require such services.

Thus, HUD's initial eligibility determination revised SPHA's request to $240,000 for emergency work (repair leaking roofs) and $1,452,384 for comprehensive modernization.

HUD Ranked the Comprehensive Portion of Application Low

Also in March, the HUD Jacksonville field office performed its project-by-project ranking of all housing agency comprehensive modernization requests using a standardized rating sheet. HUD ranked this portion of SPHA's Laurel Park application 48th out of 62, well below the cut-off point of 25, which corresponded to the target funding allocation. The ranking sheet showed and HUD officials confirmed that they ranked the Laurel Park portion of SPHA's application low because of concerns over SPHA's modernization and management capabilities (specifically because of open audit findings from a 1984 HUD management review); uncompleted 1982 modernization work at Jordan Park; and staff turnover, which has hampered modernization progress. Also, the application did not contain required material showing how the SPHA planned to improve its management and operations and local government and tenant comments on the application. Because of this low ranking, the comprehensive modernization portion of SPHA's application was well outside the Jacksonville office's target funding allocation and consequently not funded.[10]

[9]The preliminary application was nonspecific on this item. The Laurel Park site manager told us that under this work item tenants were to be instructed on how to care for and operate renovated items such as fiberglass bath tub enclosures and new space heaters. In its comments on a draft of our report, SPHA objected to our characterization of this item as nonspecific. However, SPHA's sole description of this item was "Tenants will be employed and trained throughout this CIAP." We believe that this is a nonspecific description in that it does not explain the areas in or the purposes for which the tenants will be employed or trained.

[10]In its comments on a draft of our report, SPHA stated that the HUD-cited reasons constitute a retroactive effort to justify to GAO HUD's poor judgment in not funding the Laurel Park portion of SPHA's CIAP application. Since the reasons cited in our discussions with HUD were consistent with those recorded on HUD's ranking sheets, we do not believe these are retroactive judgments.

SPHA also stated that HUD acted inconsistently by ranking SPHA's 1985 Jordan Park application "high" and recommending it for funding. SPHA argues that the same barriers to Laurel Park funding should have been barriers to funding Jordan Park modernization work as well. Our review of HUD ranking documents showed the Jordan Park application was not ranked highly and, as we point out,

HUD Visited Laurel Park to View Cited Emergency Conditions

HUD Jacksonville staff visited SPHA in mid-April 1985. According to HUD officials, although the purpose of this visit was to primarily conduct a joint review of an ongoing modernization program at SPHA's Jordan Park project, the joint review team was also to inspect cited emergency roof leaks at Laurel Park. The team was also to take a "courtesy look" at the comprehensive modernization items, at the SPHA's executive director's request. (Since the comprehensive portion of the application ranked well below the cut-off point, it was not expected to be funded.)

We asked the HUD joint review team leader, the SPHA deputy executive director and the Laurel Park site manager, who toured the project with the HUD team, about what was shown to the HUD team and how the work items were described. The HUD team leader told us that the team did not prepare a summary of its visit to the project. The HUD and SPHA officials sharply disagreed in many of their recollections of the visit, as presented below.

Leaking Project and Community Center Roofs; Worn Out Air Conditioner

The deputy executive director told us that the SPHA team showed the HUD team evidence of community/day care center roof leaks including water stains on the sub-roofing and wet carpets with buckets on the floor to catch water. The HUD team was not taken on the roof to see the air conditioner but was told that the leaking air conditioner was contributing to the roof leaks. The HUD team leader agreed that they saw a water leakage problem in the center and told us that the team's maintenance engineer later estimated that about $40,000 would be needed to re-roof the center and about $21,000 would be needed to fix the center's air conditioner.

The SPHA deputy executive director told us that they did not attempt to go up on the roofs of the project units but told the HUD team of the roof leaks. The HUD team leader told us that they asked the SPHA officials to show them evidence of leaking roofs, which they could not do. Therefore, under the legislative definition of emergency, HUD saw no evidence that one existed.

Jordan Park did not receive CIAP funding in 1985. While Jordan Park was "recommended" for funding by the HUD Jacksonville office during 1985, the term, as HUD uses it, is somewhat imprecise. All eligible applications from the Jacksonville office are recommended to HUD's Atlanta regional office for funding, no matter how low the ranking. For example, the Laurel Park application was "recommended for funding" although its low ranking gave little chance of it being funded.

Re-Do the Building Exteriors

The deputy executive director said that the SPHA team pointed out cracks in the building facades, evidence of water seepage, and chipping paint. She told us that these items were characterized to the HUD team as an emergency, since, if uncorrected, they would become more costly to repair later. Also, the SPHA team said that children could eat the paint chips, which might contain lead-based paint. The HUD team leader told us that the SPHA team said nothing on why repairing the building items should be an emergency work item.

Rodent and Pest Control

The SPHA officials said that they showed the HUD team rodent droppings around the project and in the site manager's office, rodent holes in the units, and furniture gnawed by rodents in one of the units. Laurel Park tenants also reportedly told HUD of the rodent problem. The HUD team leader said that the team did not see any evidence of rodent problems and none were pointed out.[11]

Regarding termites, the SPHA deputy executive director said that the units with termite problems were not part of the tour and SPHA did not attempt to show the HUD team evidence of these problems. The HUD team leader agreed.

Comprehensive Modernization Items

The HUD team leader told us that, at the executive director's request, they took a courtesy look at the comprehensive work items for Laurel Park despite the comprehensive portion of the application not ranking high enough for HUD funding. The team leader said that SPHA officials did not point out problems involving these items during the visit. SPHA officials disagreed, stating that they specifically pointed out problems relating to many of the comprehensive items, including casement windows that could not be closed tightly and therefore presented security problems and glass/metal combination doors that also presented a security problem.

[11]In its comments on a draft of our report, SPHA said that HUD's claims that it did not see any evidence of rodent infestation is part of a pattern of false claims. HUD's and SPHA's recollections of HUD's April 1985 visit to Laurel Park are almost polar. However, since we had no way to verify either HUD's or SPHA's recollections of how the condition was described to the HUD team or what was shown to it, we therefore presented each side's recollections without reaching a judgment.

Emergency Roof and Air Conditioner Repair Recommendation Rejected

According to the HUD team leader, as a result of the team's visit to Laurel Park, the team recommended to its management that HUD award $61,000 to make the necessary emergency repairs to the community/day care center's roof and air conditioner. The deputy chief of the assisted housing management branch at the HUD Jacksonville office told us that she and her superior rejected this recommendation because they believed that the housing agency had sufficient funds to make these repairs from its operating reserve without assistance from HUD (a later report showed SPHA's operating reserve at that time to be about $500,000 for the entire housing agency).[12] HUD guidance provides that modernization funding be provided only if a public housing agency cannot afford to fund the work itself. The deputy chief told us that HUD relied on SPHA's recently submitted operating reserve level estimate of $441,609 for the SPHA's year ending March 31, 1985, rather than the estimate for the next year, as adjusted by HUD, of $321,324 because the former estimate was judged to be more reliable.

[12]In its comments on a draft of our report, SPHA objected to our statement that at the time of the joint review and CIAP funding decisions, its operating reserve was about $500,000. In this final report, we have clarified our presentation.

Actions to Fix-Up and Maintain Laurel Park

SPHA is taking two major actions to improve conditions at Laurel Park: (1) making repairs funded through special HUD and City of St. Petersburg funding and (2) completing the upgrading of its maintenance program.

Special HUD and City Funding for Repairs

Following extensive publicity and congressional involvement in fall 1985, HUD reassessed the conditions at Laurel Park, determined that emergency conditions existed that should receive CIAP funding, and approved $250,000 for plumbing-related repairs. Additionally, the City of St. Petersburg agreed to provide $521,426 in Community Development Block Grant funds to assist the housing agency in making repairs. Table III.1 shows the work items and the amount budgeted under these two awards.

Table III.1: Work Items and Budgeted Amounts Under HUD and City Awards to Improve Laurel Park's Physical Condition

City-funded work items	CIAP-funded work items
Exterminate rodents and pests; relocate tenants during work ($49,065)	Install bathtub liners and shower surrounds in all units ($129,817)
Replace exterior doors; install security screen doors; replace casement windows with single hung windows ($275,800)	Replace bathroom vanities and make bathroom plumbing repairs ($98,453)
Replace apartment heaters, ranges, refrigerators, and floor tile ($128,161)	Replace kitchen cabinets in some units ($6,670)
Repair leaking roof and air conditioner at community/ day care center ($20,000)	Architectural and engineering fees ($15,000)
Survey building roofs for leaks and repair; upgrade site lighting ($24,575)	
Administration ($23,825)	

As of late November 1986, SPHA's director of technical services told us that the majority of work had been completed and the remainder was expected to be completed by January 1987.

Upgrading the SPHA Maintenance Program

The SPHA maintenance department is headed by the maintenance director[13] who is responsible for day-to-day physical plant maintenance and quality control and reports to the deputy executive director. The maintenance director is assisted by a maintenance supervisor. Of the 22 maintenance staff who report to the maintenance director, 14 are

[13]The director of maintenance resigned June 23, 1986. SPHA's executive director and deputy director assumed the day-to-day supervision of the maintenance program until a replacement for the maintenance director can be found. At the time of our review, the executive director was uncertain whether SPHA would hire another maintenance director or contract for its maintenance services.

assigned to specific housing projects[14] and 8 serve all of the SPHA projects.

According to the former maintenance director, in the past the SPHA maintenance program experienced internal problems. Specifically, SPHA did not know what materials it had or needed to operate effectively, accountability for work orders and work performed did not exist, and a suspicion existed that maintenance workers were charging tenants for maintenance work for which SPHA was responsible. According to the executive director, changes were made to the maintenance program beginning in late 1983 as an attempt to remedy these problems, and they were substantially implemented by early 1985. The primary changes were:[15]

- All materials are delivered to one central location and issued from that point to improve inventory control. Also, responsibility for maintaining the maintenance inventory was shifted from the maintenance department to the administration section.
- All work orders are initiated and controlled through a work order coordinator, assigned a sequential number, and logged daily to improve accountability for work orders and work performed. Additionally, work orders are classified as emergency (health or life threatening), routine (general maintenance), or vacancy (preparing of vacant units for rental). Moreover, maintenance foremen review at least 10 percent of all work orders each week to assure that work is being done in a timely manner. All completed work orders are matched up with copies of the original and reviewed by the maintenance supervisor to ensure that work orders are returned by the foremen and their employees. After the work is performed, it is reviewed by the site project manager.
- Maintenance department staff review work orders weekly to ensure that any charges to the tenants are proper.
- SPHA is taking actions to improve staff quality and productivity by setting goals for completing work, entering into staff "contracts" to complete it, and conducting meetings with maintenance staff to communicate agency goals and procedures.

The former maintenance director told us that the response time for maintenance work generated by work orders ranges from 1 to 30 days

[14]Four maintenance staff work at Laurel Park and are also responsible for two other housing projects.

[15]Information concerning the maintenance program changes was compiled from discussions with SPHA's executive director and its former maintenance director.

depending upon the urgency and nature of the repair. However, the maintenance department is attempting to reduce its response time to 1 to 15 days. We reviewed a random selection of 42 of 174 work orders generated during April 1986. Thirty-one (74 percent) of these work orders (including 2 of 5 emergency work orders) were completed within the 1- to 15-day goals. (For one of the work orders we counted as not completed on time, housing agency records did not show and its staff could not tell us when the work was completed.)

Annual Inspection Program Restarted

The maintenance program also includes an annual inspection program. According to the executive director, in 1985 SPHA resumed the annual maintenance inspection program after it had lapsed in the late 1970's or early 1980's. The former maintenance director told us that annual inspections are done to assess apartment unit conditions and occur on or about the anniversary of the tenant's occupancy date. The inspection primarily covers the unit's interior, and includes such items as electrical and plumbing fixtures, walls, ceilings, and appliances. According to the former maintenance director, maintenance and repair needs identified during an inspection result in a maintenance work order being generated, with any resulting work performed later. The maintenance director told us the SPHA is behind on work generated by annual inspections because of a staff shortage.

Preventative Maintenance Program Planned

The SPHA executive director said that only a few items exist at Laurel Park requiring preventative maintenance. Items such as space heaters and the project irrigation well would benefit from a preventative maintenance program. SPHA plans to implement a preventative maintenance program for Laurel Park's space heaters by November 1986 but has not set a date to begin the program for Laurel Park's wells. Also, SPHA is designing a work order system that will include a preventative maintenance checklist to check on items requiring preventative maintenance work when other maintenance work is done.

Reporting of Repairs by Tenants

According to SPHA's executive director, the housing agency is acting to remedy the problem of tenants not reporting needed maintenance and repair needs. Specifically, he told us that SPHA has started conducting meetings with its tenants to educate them on the importance of reporting maintenance problems and explains that tenants will not be charged for maintenance and repair work resulting from normal wear and tear. Also, to help identify problems not reported by tenants, SPHA

employees are encouraged to report maintenance problems noted while doing other work in a unit and during the annual unit inspection program.

Objectives, Scope, and Methodology

In response to Congressman Young's February 21, 1986, request, our objectives were to obtain information on why (1) unmet physical needs exist at Laurel Park and (2) the housing agency was unsuccessful in applying for modernization funding under the CIAP in 1985. In addition, we identified actions being taken by the housing agency to improve the project's condition.

We conducted our work at the Housing Authority of the City of St. Petersburg and at HUD offices in Jacksonville, Florida; Atlanta, Georgia; and Washington, D.C. We performed our work between April and July 1986.

We reviewed legislation, HUD regulations, HUD handbooks, and other HUD guidance regarding maintaining and rehabilitating public housing. We discussed Laurel Park's condition with HUD's management and staff who are responsible for overseeing housing agency activities. We talked primarily with the chief and deputy chief of Jacksonville's assisted housing branch and members of the Jacksonville HUD team that toured Laurel Park in April 1985. At the housing agency, we toured the project and discussed its condition and related housing agency issues with top management, including the executive director, deputy executive director, and the directors of maintenance and of administration. We also discussed the project's condition with the Laurel Park site manager, the housing agency's maintenance supervisor, and a maintenance foreman. At HUD and the housing agency, we reviewed documents on the extent of modernization that has taken place since the agency acquired Laurel Park in 1966 and reviewed documents germane to the agency's financial condition and Laurel Park's physical condition.

To determine why the St. Petersburg housing agency was unsuccessful in obtaining CIAP funds during the 1985 CIAP funding cycle, we reviewed the housing agency's application and related documentation. We discussed with senior housing agency management the items in the application and the bases for including them. We also reviewed HUD guidance on how the funding decisions are to be made and discussed this guidance and the process with HUD officials who made the decisions. We reviewed documentation specific to the Laurel Park portion of the housing agency's application and discussed with HUD officials how and why they reached their decisions. We discussed the April 1985 tour of the Laurel Park project with key HUD and housing agency staff who participated in it.

We obtained written comments on a draft of this report from both HUD and SPHA and have included their comments in the report where appropriate. We performed our review in accordance with generally accepted government auditing standards.

Comments From the Department of Housing and Urban Development

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

Mr. J. Dexter Peach
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

Secretary Pierce has asked me to respond to your letter of October 17, 1986, which transmitted the draft report, "Public Housing: Conditions at the Laurel Park Project in St. Petersburg, Florida" (RCED-87-33). We appreciate the opportunity to review the report and to provide you with our comments.

The draft report is reasonably researched and presented in an impartial manner. It clearly explains the reasons why there are unmet physical needs at Laurel Park and why the Housing Authority of the City of St. Petersburg, Florida was unsuccessful in applying for modernization funding under the Department's Comprehensive Improvement Assistance Program in Fiscal Year 1985.

The draft report does not present any findings or recommendations; and after reviewing the report, we have no comments. We appreciate your staff taking the time to brief my staff during the investigation and preparation of the report.

Sincerely yours,

J. Michael Dorsey
Assistant Secretary

Comments From the Housing Authority of the City of St. Petersburg

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

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The Housing Authority
Of The City Of St. Petersburg, Florida

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EDWARD WHITE, JR.
EXECUTIVE DIRECTOR

November 14, 1986

Mr. J. Dexter Peach
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 30548

Dear Mr. Peach,

Thank you for affording this PHA an opportunity to comment upon the draft, report (RCED-87-33) concerning Laurel Park (FL 2-3). The PHA has carefully studied the entire report and has determined the draft does not reach conclusions fully consistent with the facts and fails to resolve conflicting claims between the PHA and the Jacksonville Field Office, even when a factual basis exists to resolve such conflicts and does not address several pertinent issues. The comments which follow will document the observations in the preceding sentence.

Comments

1. Conditions at Laurel Park

Now pp.9-10.

The draft report allows that both PHA and HUD officials agree that Laurel Park needs physical improvement but stresses that there is sharp disagreement between HUD and the PHA on the extent and urgency of such need (pp 10-11).

The report cited a Jacksonville HUD Field Office engineer as claiming "Laurel Park is a very typical, older public housing project.....and is structurally sound" (emphasis added).

Laurel Park is not a typical public housing project. It was not built originally as public housing and does not meet several important public housing design standards including:

1. Room Size Standards

   a) None of the kitchen areas meet minimum size requirements.

   b) Several of the primary bedrooms are less than the 120 square foot minimum.

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c) Only the living rooms consistently meet the minimum size requirement (160 square feet), but just barely at 163 square feet, see Section 401.36 MPS. Moreover, Laurel Park room sizes are smaller than any other project administered by this agency including Jordan Park [FL 2-1, 2-1(A)], another 1940 era, low rent family housing project.

2. Water Impervious Walls in Baths

Section 401-4.1(b) of the MPS requires water impervious wainscot to a height of six (6) feet from finished floor around tub-showers. Laurel Park has no such water impervious walls, which condition produced the water seepage from the second floor bath through the ceiling of the first floor kitchens, ultimately causing several ceiling collapses and damage to the kitchen wall cabinets. Laurel Park is the only PHA project with such a deficiency. The deficiency is not typical of public housing projects.

3. Laundry Facilities

The MPS requires that where central laundries are not provided, provision for a washing machine shall be in each dwelling unit (401-4.3). Laurel Park has neither central facilities nor individual apartment washer hookups.

4. Interior Fire Protection

See comment 1.

Laurel Park lacks the firewalls required by MPS and has been cited by the St. Petersburg Fire Marshall's office, (see attachment: Exhibit 1). Moreover, entrance doors on individual dwelling units did not meet fire rating requirements. (New doors, funded by the City CDBG grant, have eliminated this problem.)

5. Adequate Ventilation of Dwelling Units

The MPS requires mechanical ventilation when units lack either air conditioning or natural cross ventilation. Laurel has neither mechanical ventilation, air conditioning, or natural cross ventilation. The ventilation problem had been exacerbated by the absence of apartment screen doors, since remedied by the City grant.

The above examples are illustrative of how Laurel Park is deficient in relationship to multi-family minimum property standards governing public housing construction quality. Those and other deficiencies strongly weigh against the referenced HUD engineer's claim that Laurel Park is a "typical older project".

Moreover, the claim that Laurel Park buildings were built to withstand more abuse than current day structures is specious. The only relevant comparison to Laurel Park is other older public housing projects competing against Laurel Park for CIAP funds. "Present day structures" do not generally qualify for CIAP because of their age.

Probably, the comment which best symbolizes the problem of poor judgment by HUD Field Office staff was the statement by the same engineer that "...some units are approaching the point where comprehensive modernization will be needed, the majority are in good shape." (Again, emphasis added.)

Everyone who had seen Laurel Park prior to the large scale expenditures to upgrade it in 1986, including dozens of media representations, Congressman Young and his staff, PHA staff, tenants, a delegation from the City Council, concurred the project bordered on being unfit for human habitation. One local T.V. station, WXFL, Channel 8, did a 30 minute documentary entitled "Laurel Park: Public Housing, Public Shame". See Exhibit II, a collection of newspaper clippings evidencing the more common view that Laurel Park was in extremely poor condition.

The HUD response in this regard demonstrates that the Field Offices' funding decisions are predicated upon a set of criteria wholly out of touch with prevailing community standards. Another view is that the response is simply a rationalization to cover the otherwise inexcuseable blunder of failing to fund at least the emergency conditions which were visible to everyone (except apparently HUD officials).

II. Why Did Unmet Physical Needs Exist at Laurel Park?

The draft report cites the following conclusions attributable to either SPHA and/or HUD staff as the reasons why unmet physical problems existed at Laurel Park:

1. SPHA maintenance program did not identify and/or respond to problems in an effective and timely manner, owing to a lack of an inspection procedure, and difficulty attracting and retaining competent maintenance staff.

2. Failure of SPHA tenants to report maintenance problems because of fear of being charged for repairs.

3. Lack of CIAP funding over the years.

4. Inadequate operating subsidy provided by the HUD administered Performance Funding System (PFS).

5. Operating reserves inadequate to fund needs.

Except citing the alleged SPHA maintenance deficiencies as primary and calling the prior lack of CIAP as major, the draft report makes little or no effort to independently weigh these factors.

For example, the PHA believes the lack of previous CIAP funds is the primary reason why there were (and still are) unmet physical needs at Laurel Park. The PHA urges that GAO compare CIAP funding at Laurel Park to other 30 plus year old projects nationally. The PHA Executive Director provided the GAO audit team with a summary analysis of CIAP allocations compiled by the Council of Large Public Housing Authorities (CLPHA) which showed that on average such projects had received over $5,000 per unit funding. Laurel has not received any appreciable amount of CIAP funds and had only received $1,190 per unit of old modernization funding, almost all of which went into a day care facility as opposed to renovation of dwelling units.

Locally, the condition of Jordan Park is generally recognized as being superior to Laurel despite being even older by seven (7) years. The better conditions at Jordan Park result from $6,773 per unit of CIAP funding plus some older modernization grants during the 1970's.

By contrast, the PHA does not believe the perceived problems with its maintenance program or the supposed fear of tenants to report maintenance needs is significant. The PHA believes some tenants do not report maintenance needs out of fear of being charged for any maintenance service. However, this misperception of tenants leading to unreported maintenance is not unique to St. Petersburg or to Laurel Park. This tenant view about maintenance charges is held by some tenants in every PHA and certainly at other SPHA administered housing projects, not just at Laurel Park.

Accordingly, it would be inappropriate to cite tenant fear of reporting maintenance as a causative factor in Laurel's unmet physical needs. The PHA assumes that the determination that Laurel Park had unmet physical needs was predicated upon the assumption such unmet needs were relatively more significant at Laurel than at most other low rent public housing projects. If, indeed many tenants at most projects have had the same fear to report maintenance problems, than obviously such fears would have had no special effect at Laurel Park (or at least the effect at Laurel Park would have been no greater than elsewhere).

The identical point could be made by comparing unmet physical needs at Laurel and Jordan Parks. Laurel Park is in far worse physical condition than Jordan. The sole reason is the wide variation in CIAP funding allocations to the two (2) projects. This disparity was widened by the 1986 HUD CIAP allocations. Despite the near hysteria about the project last year, including a considerable amount of Congressional interest, HUD did not fund Laurel Park again this year. By contrast, Jordan Park was allocated another $1,250,000 (another $2,820 per unit or a total of $9,593 per unit of CIAP compared to less than $2,000 per unit for Laurel Park) which includes the $250,000 emergency grant.

While the PHA appreciates that an analysis of PFS is beyond the scope of the GAO review, we believe that even a cursory review of the PFS would clearly show that PFS does not nor was ever intended to provide PHAs with funds for extraordinary maintenance or capital improvements. It is a matter of record that HUD has not provided capital grant funds (CIAP) for Laurel. If the PFS does not provide funds for capital grants and HUD does not allocate CIAP funds, then serious unmet physical needs would be an unavoidable occurrence, notwithstanding the merit of local PHA maintenance programs or the various attitudes of local tenants to PHA maintenance charges.

Finally, with respect to why there were (are) physical needs at Laurel Park, PHA operating reserves are the sole remaining avenue of funding to address physical needs in the absence of either adequate PFS funding and/or CIAP grants. The PHA is cognizant that the draft report partially acknowledges the inadequacy of SPHA reserves as a substitute for CIAP by allowing that reserves were only at 56% of HUD allowable levels and pointing out that reserves include receivables and deferred charges (emphasis added).

However, the PHA believes that the inadequacy of the reserves would be better illustrated by including in the final report language to the effect that the entire PHA operating reserve would have been insufficient to cover the cost of emergency repairs ultimately funded jointly by the City and by the emergency CIAP grant obtained after Congressional intervention. Moreover, the fiscal 1986 low rent operating budget, copies of which were made available to the audit team, had a projected reserve level of only $321,324, some $200,000 less than the level reported in the draft. The lower reserve level resulted from HUD unilaterally affecting prior year operating subsidy adjustments in excess of $200,000. Moreover, even this greatly reduced reserve was further threatened by HUD's attempt to recapture an additional $61,800 of "excess subsidy" paid to the PHA in PHA fiscal years 1981 and 1982. See Exhibit III.

III. Why Laurel Park Project Did Not Receive CIAP Funding in the 1985 Award Cycle

According to the draft report, there were several major reasons cited by HUD officials to explain why no funding for Laurel Park was recommended in 1985 including:

1. The failure of the PHA to demonstrate that emergency conditions existed at the dwelling structures.

2. The single emergency condition acknowledged as such by HUD at the Day Care Community Facility was not funded because the PHA was perceived by HUD as having had sufficient reserves for this purpose.

3. Comprehensive CIAP funding was denied to Laurel Park because this part of the application received a low ranking because of HUD's assessment of SPHA overall management capability and its modernization management capability.

Again, the PHA believes the draft report allows contradictory claims to stand without resolution even when relevant documentation is available to verify which of the conflicting claims is correct.

According to the CIAP Handbook 7485.1, Rev. 2 (December 1983), "Emergency Modernization means a modernization program for a project that is limited to physical work items of an emergency nature affecting the life, health and safety of tenants....."

Now p. 16.

The draft report on pages 18-19 states that HUD staff reclassified the rodent and pest control item from "emergency" to "comprehensive" during the HUD evaluation of the SPHA's preliminary application because the SPHA application allegedly did not justify this (extermination services) as an emergency item.

The PHA narrative commentary clearly described the rodent problem as urgent and indicated that a "major health crisis could result" if the proposed extermination were not performed. See Exhibit IV.

Furthermore, extermination services are either needed or they are not. If they are, the need is immediate because by definition the infestation is a threat to health. If no need was seen, then the item should appropriately have been dropped, not reclassified as "comprehensive".

The PHA strongly urges inclusion in the final report of the actual text of the PHA's narrative pertaining to the rodent infestation which fully refutes the Jacksonville Field Office's self-serving and untrue claims that the PHA's application did not justify "emergency" status for the item.

While the draft report does cite specific examples of evidence of rodent infestation which the PHA reported it had shown HUD officials during the April, 1985, joint review and references tenant claims that they (tenants) had also shown similar evidence to HUD during the review, the issue is left somewhat unresolved by simply reporting PHA and tenant observations versus Field Office denials (see page 22, bottom paragraph). In fact, HUD's denials are demonstrably self-serving. Exhibit IV documents that HUD is engaging in a pattern of false claims about the issue of whether they knew and/or should have known about the emergency need for project-wide extermination services. The extent to which the PHA flagged the emergency nature of this item is clear from Exhibit IV.

As to HUD's specious claim that Field Office staff did not see any evidence of rodent problems and none was pointed out, the PHA can only point out that media representatives had no difficulty finding and documenting the extent of rodent infestation. One television crew even managed to film a rodent in a Laurel Park dwelling unit. In any case, inasmuch as the PHA had already classified the item as "emergency", HUD staff participating in the joint review could easily have verified whether the condition existed or not. In fact, HUD staff was reluctant to even go to Laurel Park. The PHA believes the joint review team had determined not to fund Laurel Park before the review took place.

The draft report goes on to state that the emergency repairs needed at the Day Care Facility were not funded because the PHA had sufficient reserves to fund the repairs (then estimated at $61,000) without assistance from HUD. The report then parenthetically reports that the PHA had "about $500,000 in reserves available" (page 21, bottom paragraph).

Now p. 20.

The PHA did not have $500,000 in reserves. The fiscal 1986 budget was then under review by the same Field Office staff as was evaluating the PHA's CIAP needs. The March 11, 1986, budget was approved by HUD after subsidy modifications were made, which left the PHA's estimated reserve level at $121,124, not $500,000. The Field Office signed off on the budget on May 11, 1985. (See Exhibit V.)

Actual March 31, 1986, results produced a deficit which caused actual operating reserves for its low rent program to drop to $348,719. (See Exhibit VI.) The reserve level was further threatened by HUD's persistent efforts to recapture $61,000 of so called excess operating subsidy, which effectively reduced projected reserves to $268,730 as of early 1985. (See Exhibit VII.) The PHA recommends GAO correct the misstatement that PHA reserves were $500,000 in 1985. Obviously, HUD's determination that the PHA could have funded the $61,000 work of emergency repairs without HUD assistance was erroneous, when actual reserve levels were taken into account.

The remaining major HUD claim which is at variance with the fact relates to the Field Office's low ranking of the comprehensive modernization work items contained in the 1985 CIAP for Laurel Park. HUD's stated reasons for the low ranking included:

1. Concerns over SPHA's capacity to administer a modernization program

2. Concerns over SPHA management capability (supposedly open audit findings from a 1984 HUD management review)

3. Uncompleted 1982 modernization program (CIAP Program #904)

4. A claim that the SPHA application did not contain "required material showing how the SPHA planned to improve its management and operations and local government and tenant comments on the application

PHA Capacity to Administer CIAP

Even prior to the commencement of the GAO audit, this Authority had been aware of the Jacksonville Field Office concerns pertaining to SPHA's ability to administer a CIAP program. In January, 1986, the PHA wrote to ask the Field Office to spell out the deficiencies in prior PHA CIAP performance, which accounted for their (HUD's) determination that SPHA lacked the capacity to administer a CIAP program. The Field Office finally responded on March 3, 1986, and cited the following items:

1. The PHA had failed to complete an Emergency CIAP program (CIAP Program 905) within one year as required by The CIAP Handbook 7485.1, Rev. 2, Change 1, Para. 3-6d(1);

2. The Field Office gave a low ranking to the PHA's 1985 CIAP application for Laurel Park based upon specific criteria set forth in the referenced CIAP handbook, Para. 3-6 f (1-9). The Field Office letter did not specify which criteria were not met or how the application failed to meet such criteria;

3. The PHA had a comprehensive CIAP program (#904) "open for over three years" in violation of 1-3 m;

4. The PHA failed to have the requisite documentation completed at the time of the joint review;

5. The revised preliminary application submitted by the PHA on May 24, 1985, "did not reflect the items discussed during the joint review";

6. Quarterly reports are (were) consistently late;

7. PHA could not provide "reasonable or accurate cost estimates" to the Field Office specialist at the joint review "because of inadequate preparation";

8. The preliminary application did not contain management improvement proposals;

9. PHA could not provide "proper documentation on contracts, past and/or present" during the joint review;

The PHA submits that the Field Office representation in its March 3, 1986, letter, pertaining to its assessment of the 1985 Laurel Park CIAP application and similar representations made to GAO Auditors constitute a retroactive effort to justify its poor judgement in not having funded Laurel Park. In many instances HUD's claims are demonstrably untrue or are an unwarranted application of CIAP Handbook provisions without regard to whether the PHA had control over the circumstances giving rise to the alleged deficiency. (See Para. 1.-3 m of HUD CIAP Handbook.) For example:

1. CIAP Program 905 was more than one year old. However, the major reason for the apparent delay completing the project within a year was that the 1983 grant of $125,000 proved to be for less than the ultimate cost of the project, approximately $335,000. The much higher actual cost necessitated major redesign and repeated rebidding of the project. HUD itself took nearly six (6) months, from October, 1984, to March, 1985, to approve the award of a roofing contract. In fact, the only CIAP funds awarded to the PHA in 1985 was a $160,000 supplemental emergency CIAP (#906) to complete the work started with CIAP program #905.

2. The PHA cannot respond directly to HUD's low ranking under the criteria set forth in 3 - 6 (F) unless HUD offers more of a specific statement of its reasons for the ranking.

3. The claim that the PHA had a CIAP program open for more than three (3) years is untrue. According to the CIAP Handbook, the phrase "funds which are over three years old" means "funds approved in a F.F.Y. which is three or more years before the current F.F.Y." Using the Handbook example, when the PHA applied for funds in F.F.Y. 1985, funds over three years old would have been those from F.F.Y. 1981 or before. See Para. 1 - 3 (m). The PHA had no funds open from F.F.Y. 1981. The CIAP program referenced in the Field Office correspondence and cited to the GAO audit team would not have been three years old until F.F.Y. 1986, which did not commence until six (6) months after the Field Office had ranked the Laurel Park application low in part because the Field Office had incorrectly determined the CIAP Program 904 to be more than three years old.

4. The Field Office claim that the PHA had not completed all of the "necessary documentation" is especially annoying because the only item which had not been completed was the Physical Needs Assessment (HUD Form 52827). The sole reason the 52827 had not been completed was that HUD had not transmitted the forms to the PHA. See HUD letter of April 11, 1985, Exhibit VII, under "Joint Review Documents".

4. The referenced forms were hand delivered by the Audit Team Wednesday, April 17, 1985, the single day of the joint review.

5. The May 24, 1985, preliminary application submitted by the PHA specifically had been revised to reflect the joint review comments. Example: The PHA isolated the plumbing problems related to the Laurel Park bathrooms and identified the water seepage condition as emergency to enhance the funding prospects. Previously, this item had been a part of a broader category: Proposed comprehensive renovation of bathrooms and kitchens. See Exhibit VII.

6. PHA quarterly reports had not been consistently late. See PHA letter of March 20, 1986, page three (3), para. #4 (Exhibit IX).

7. The PHA's original preliminary application dated February 27, 1986, and all subsequent resubmissions contained reasonable and accurate estimates.

8. The preliminary CIAP application is not required to have management improvements. The PHA's then ongoing CIAP program 904 contained a wide assortment of management improvements, including the establishement of a centralized maintenance operation, implementation of a revised dwelling lease, revised policy on admissions and occupancy, a major expansion of PHA data processing, and several other similar management improvements. At the very time that the Field Office was reviewing the 1985 preliminary CIAP application, it was reviewing a major proposed budget revision to CIAP program 904, which included a full range of management improvements. Additionally, the Field Office was reviewing the PHA's then proposed revised dwelling lease and policy on admissions and continued occupancy. The PHA specifically discussed with Field staff the redundancy of listing improvements in the 1985 applications which were already contained in CIAP 904. See Exhibits X, XI and XII.

9. During the exit conference with the PHA Executive Director no discussion was held about contract documentation.

10. The Field Office apparently attempted to further justify its claim relating to poor PHA management capability by citing open audit findings from a 1984 management review.The referenced management review was dated September 28, 1984. The PHA made full and final response to this audit in November, 1984. See Exhibits XIII and XIV. This claim is untrue.

In summary, the Field Office rationale for the low ranking was seriously flawed. Moreover, the Field Office letter announcing the joint review (Exhibit VII) specified that the review "is (was) to be conducted on Project(s) Fl 2-1, 1A". If the alleged deficiencies cited in the Field Office letter of March 3, 1986, and to the GAO Audit Team had been true, particularly the claims relating to lack of CIAP administration capability and lack of overall management capability, then why was funding recommended for Projects Fl 2-1 and Fl 2-1(A)? In fact, the Field Office ranked Jordan Park (Fl 2-1, 2-1(A) high and recommended $500,000 funding in 1985.

In summary, the PHA believes that the conditions at Laurel Park were demonstrably poor in 1985 and that HUD officials were shown emergency conditions but failed to fund needed repairs in blatant violation of HUD CIAP Handbook established funding priorities.

The PHA further believes that while certainly internal PHA maintenance should be improved, the major cause of Laurel Park's delapidated condition is the funding shortfall arising from no major CIAP allocations over the years and built-in PFS subsidy funding deficiencies. The entire funding shortfall issue is not adequately addressed in the report.

Finally, the Field Office rationale for a low ranking of Laurel Park's 1985 application is flawed and factually incorrect in many instances. Most importantly, the Field Office recommended funding for Jordan Park despite the supposed existence of PHA management problems which precluded funding to Laurel Park. If the deficiencies truely existed, then such deficiencies should have served as a barrier to funding of Jordan Park as well.

Prior to closing the PHA will list specific items in the draft report which are factually incorrect:

1. Page One, Second Paragraph: Laurel Park was opened in 1947 as Royale Court, a private apartment complex, financed with FHA mortgage insurance and built to house black families. It was purchased and converted to low rent public housing by The St. Petersburg Housing Authority in 1966.

Now p. 4.

2. Page Six: The referenced central maintenance initiative dates to management improvements proposed by the PHA in its preliminary application for CIAP program 904. Actual implementation of central maintenance had begun in late 1983 and was substantially completed, except for computerization of work orders, by early 1985. The joint review team actually toured the central maintenance facility in 1985 and expressed no concern to PHA staff about extant maintenance procedures.

Now p. 8.

3. Page Nine, Second Paragraph: "According to HUD and housing agency officials minimal (not necessary) renovations..."

See comment 2.

4. Page Eighteen, Footnote (a): The severely deteriorated wall conditions surrounding the tubs were in only 50 - 60 per cent of the dwelling units, not 5 - 6 units.

Now p. 17.

5. Page Nineteen: There is nothing unspecific about "preoccupancy training". The item was discussed at length with Field Office staff. The concept and use of preoccupancy is well known throughout the industry.

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Now p. 20.

6. Page Twenty-Three, Bottom Paragraph: At the time about $320,000 for the entire agency (not $500,000).

Thank you again for allowing the PHA to have the opportunity to comment on the draft report. If for any reason GAO is unable to incorporate the above commentary into a revised final report, we hereby request that our comments be attached in their entirety as an appendix.

Very truly yours,

Edward White, Jr.
Executive Director

EWjr/dl

The following are GAO's comments on the Housing Authority of the City of St. Petersburg's letter dated November 14, 1986.

GAO Comments

1. Exhibits are not reproduced in this report.

2. Reference to number of units is deleted from report.

Major Contributors to This Report

Resources, Community, and Economic Development Division, Washington, D.C.	John Luke, Associate Director, 275-6111 Dennis Fricke, Group Director James Ratzenberger, Evaluator-in-Charge Gloria Sutton, Editor Mary Chagnon, Typist/Production Beverly Barber, Typist
Atlanta, Georgia, Regional Office	Clyde James, Site Senior Gary Malavenda, Evaluator Sandra Watson, Typist

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